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Disintegration as a result of welfare expansion

The integration of East Germany in the German pension system

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An Under-Explored Relationship

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The integration of the citizens of the former German Democratic Republic (GDR) into the pension system of the Federal Republic of Germany (FRG) is a unique case study in which an expanding welfare state may weaken the nation-building process.

The welfare state is a dimension of politics in which a direct benefit for 'the people' can be seen. Therefore, it is often assumed that the identification with the state gets stronger if the welfare state is expanded. This paper tries to show that the integration of East Germany in the German pension system resulted in a weakening of the identification with the nation, although the welfare state was expanded. German unification is also a test-case for the causal link between welfare state and regionalism. The two Germanys were separate nation-states for more than four decades and members of two different political systems. However, Germany is no multinational state in the classic sense, the claim to represent one nation is challenged by the sub-national ideas of East and West Germany. There is of course no ethnic division between west and east, but there are strong differences in culture (ethics and religion), habits, and social structure. Therefore, nation-building has not been a process which had to be strengthened after the unification, but rather newly initiated. Since German unification it has often been argued that this process of nation-building is still incomplete. One example for the sub-nationalism can be found in the success of the Party of Democratic Socialism (PDS) in the eastern part of Germany. If we assume that "for a national minority within the state, the development of state welfare contributed to reinforcing an identification with and loyalty to the national state [...]", we would expect a positive relation between the integration of East Germany into the German welfare system and a "sense of solidarity and mutual commitment among citizens throughout the state" (McEwen 2002: 1). It is the aim of this paper to show that at least the integration into the pension system resulted in the opposite.

The German pension scheme is one of the most important pillars of the German welfare state. 25% of all social expenditures are allocated to the pension system. (See OECD 2003b) If there is a connection between the

identification with the state and the amount of welfare spending, we will find it here.

The argumentation will proceed as follows: The German pension scheme is perhaps one of the most complex models of social insurance. Therefore it is necessary to outline its characteristics in short. The focus will be on the aims, means, and the performance of the pension system. On this basis it is possible to compare the West German pension system with the East German one. This is necessary, because the argument is based on the assumption, that the East German pension system was not transformed but totally replaced after unification. To show this the paper will focus on the unification of the pension systems by explaining its aims, means, and performance. This allows examining the effect of this unification on the nation-building process. On this basis, it will be searched for answers to the question, why welfare state expansion does not necessarily lead to welfare state nationalism. Therefore the concept of welfare state nationalism will be reanalysed.

The West German pension scheme

Aims

The aims of the German pension scheme are to organize an income for the working class that ensures a basic living standard beyond the working life, and in doing this, to follow the principle of causation, meaning the real amount of old-age-benefit depends on the former contributions and equality in rights more than on universal aims of equality in outcomes. This goes along with the preservation of status differentials; special status groups like civil servants are upheld. Another important aim is to fortify self-help in the welfare state system. In Germany this is reached through the principle of secondary liability; the welfare state is only responsible if no closer related institution – mainly the family – is able to bear the social costs.¹

Not only old-age-benefits are the concern of the pension system. Beyond that, the German pension scheme bears, in many cases, costs that are necessary to reconstitute the labour force (e.g. regimens). The German state always mistrusted the ability of its working class to save enough of

their wage for their old age; therefore another aim is the emancipation of the old-age-benefits from private calculation.

From the beginning of the pension scheme under Bismarck, but also later e.g. in times of Adenauer, a secondary idea of the pension system was to integrate the labour movement in the national context.

Means

The German pension scheme is a pay-as-you-go system. For those with a monthly income less than 4,500€, the pension scheme is compulsory. It is possible for people with an income beyond 4,500€ to join the statutory pension scheme, but the normal case is that private insurance companies can provide better services.

The pensions which are actually paid are financed through the social security deduction of those actually working. These contributions are approximately 20% of the wage resulting in *claims*.² Though the pension scheme is officially separated from the national budget, the state has the possibility to supplement the pension scheme out of taxes (s. Bundestag 2001, 8-22) and does so especially to bear the costs beyond old-age-benefits.

Beyond the official pension scheme, there are private and operational insurance schemes but they are only a supplement. "The accent on compulsory social insurance, complemented with more or less ad hoc residual schemes for strata without a 'normal' employment relationship, has meant that purely private market provision of welfare remains marginal." (Esping-Andersen 1999, 83).

Performance

Contrary to a funded-pension scheme, the amount of the pensions is not entirely the result of former payments. Pensions' calculations are based on different factors: taking into consideration the claims one has gathered during a working lifetime, the difference of the workers' age to the official retirement age, and the so called actual value of pensions, which is set by government in a way that a person who has been working for 45 years for an average salary obtains a pension that allows him approximately 70% of his former living standard (s. Bundestag 2001b, 14). Both, the principles of

causation and of secondary liability are implemented in this pension scheme. The first, because the actual amount of old-age-benefits depend on the former salary and duration of the personal working life; the second, because old-age-benefits only result from the claims one has gathered during work. So women in particular must rely on the family. "The pension for a workingman was regarded as compensation for the former wage, while the widow's pension resulted from the claim of maintenance from her husband by the economically non-active woman."³ (Frerich 1996, 166)

Another aspect of welfare state performance is to be considered: "The welfare state may provide services and income security, but it is also, and always has been, a system of social stratification." (Esping-Andersen 1990, 55) No doubt, the German pension scheme does nothing else; 20% of the wages are used to pay the old-age-benefits, a method which is called the "contract of generations" ⁴. In this way redistribution is organised by the state *within* the working class, just because you are only participating in the pension scheme if your income is low enough. (Decker/Hecker 2002, 118) And even within this class, status divisions are upheld by the pension scheme, too, because it is divided in several sub-schemes, for example for blue- and white-collar workers, civil servants, or miners.

Taking into consideration the above mentioned aims, means, and the performance of the German pension system, one may refer to Esping-Andersen's notion of "conservative regime clusters". As Esping-Andersen points out, the German pension scheme is an example of a "conservative welfare regime" (s. Esping-Andersen 1999: 82-85; Esping-Andersen 1990: 25-32) with an "accent on compulsory social insurance, complemented with more or less ad hoc residual schemes for strata without a 'normal' employment relationship" (Esping-Andersen 1999: 82) and therefore de-commodification focused on the "bread-winner", a corporatist status division favouring civil servants, and of little relevance to a market based private pension scheme.

The pension system of the former GDR

Aims

In contrast to the pension system of the FRG, the main aim in the GDR was to ensure an overall equal living standard after working life without much regard to former salaries. Universalism preponderates over the principle of causation. Because of the state granted right to work, the pension scheme did not need to be aware of old people with long periods of unemployment in their working life. This "fusion of welfare and work" (Esping-Andersen 1990: 28) meant on the other hand that the pension scheme should prevent people from retiring before the official retirement age (65 years). The living standard of the elders should be independent from every other institution but the state, to guarantee universalism.

Between the working class and the middle class there should hardly be any difference in old-age-benefits. Concerning a small elite (intellectual elite, high members of the military and the police), the pension scheme should nevertheless provide a conservation of status differentiation.⁵ Because of these aims, it is possible to speak of a "social democratic welfare state regime" in the sense of Esping-Andersen.⁶

Means

„Perhaps the most salient characteristic of the social democratic regime is its fusion of welfare and work. It is at once genuinely committed to a full-employment guarantee, and entirely dependent on its attainment" (Esping-Andersen 1990: 28). So, the main aim of the East German pension system was the guarantee of a right to work.

As with the West German pension scheme, the GDR's was also a pay-as-you-go system. There were two compulsory social insurances; one for blue- and white-collar workers (Sozialpflichtversicherung I, SVI) and one for self-employed persons and members of co-operatives (Sozialpflichtversicherung II, SVII). The SVI contained 90% of the insurants. (See LVA 2000, 4). Compulsory insurance was an income up to only 600GDR-Mark. Since 1971 there was the possibility to make a voluntary additional insurance (Freiwillige Zusatzrentenversicherung FZR) for income between 600Mark and 1200Mark. The contributions to the social insurance were

approximately 20% of the net salary (both, in SVI and FRZ). In the period from 1947 to 1980 the average salary doubled, so this additional insurance was not only necessary to preserve the standard of living, but also affordable for everyone. (See Steffen 2002, 37)

The difference between the income and expenditure of the pension scheme was compensated by government subsidies. In 1988 48% of old-age benefits were financed that way.

Performance

Although there is a certain affinity between the two German pension systems – both are compulsory pay-as-you-go systems – different aims lead to different outcomes. The main aim of the pension system in the GDR was to secure a basic standard of living, and therefore the most important part of the pension was independent of payments. “The pension scheme in the social insurance system of the GDR did not establish a relation between wage or contribution and pension; old-age benefits were composed of a fixed amount and state controlled increase factors.”⁷ (Steffen 2002, 37) For every year in which the full amount of 600Mark was secured, the monthly pension from the SVI was 6Mark. So, after 50 years of work the old-age pension was 300Mark. This pension was supplemented by 2.5% of the secured amount in the FRZ. In addition there was a guaranteed minimum pension which was calculated only on the basis of a lifetime of labour without regard to contributions. “The minimum pension after 45 years was 470GDR-Mark a month; after 15 years of work, the minimum pension was already 330GDR-Mark, so there was hardly any diversification of old-age benefits and as good as no regard to contributions.” (CDU 2002)⁸ Even more significant is the comparison of the minimum pension after 45 years of work (470Mark) to the benefits from the SVI for the same period with full contributions, which would be 480Mark.

In addition to old-age pensions, widow’s pensions and disability pensions were paid, but they were aimed to keep the insurants in work as long as possible (s. LVA 2000:3).

The integration of East Germany in the German pension scheme

Aims

During the interim period between May 1990 and October 1990, the GDR had to put forward an equalisation of the pension scheme, on the legal basis of the state treaty (Staatsvertrag) of May, 18th 1990.⁹ The treaty described the establishment of a relation between wage and contributions, and the pensions as a core element. (Steffen 2002, 38)¹⁰ On the one hand, the aim was to replace all pensions in the GDR by pensions newly calculated according to the West German pension system, but on the other hand, this was not intended to lead to a basal reform of the system, therefore it had to be more or less neutral to costs.

Means

"Because of the pay-as-you-go system, the integration of the territory of the former GDR was possible without the transformation of the whole welfare system. No other pension scheme could have mastered such a challenge for welfare politics in the way the pay-as-you-go system did. Had it been a funded-pension scheme, the social union would have had no chance." (Ruland 2001, 3)¹¹ A funded-pension scheme would have faced the problem of integrating people who had not created any funds. Because of the pay-as-you-go character of the pension scheme, not only the pensioners were integrated, but also new workers paying for them.

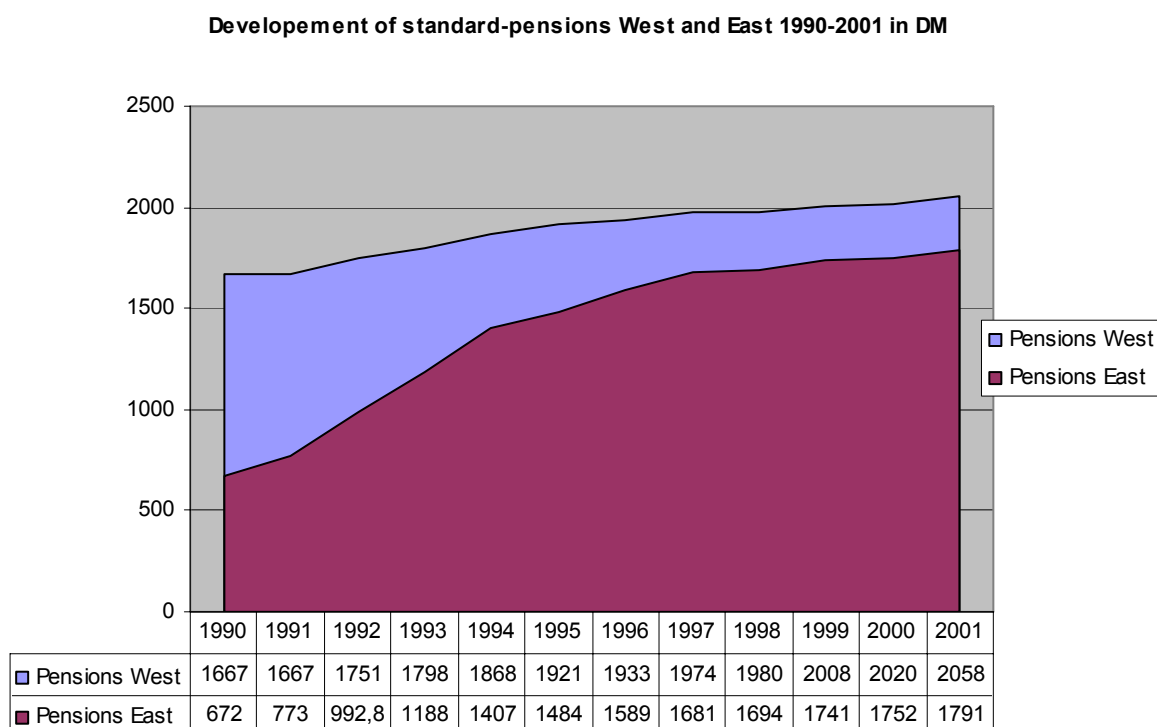
The integration of the GDR in the West German pension system has been a very complex process especially in terms of law. Until 1991 the pension law of the GDR remained in force, including the factors for equalisation of 1990. In the period from 1991 to 1996 the pension law was reformed eleven times.¹² Basically, the GDR-pensions were recalculated on the basis of a standard pension resulting from a fictive model of a working-life similar to the one used in West Germany to calculate the "actual value of pension". This model of a lifetime of labour is called the "Eckrentner" and is based on an assumed working life of 45 years of continuous labour with an average salary. For the GDR-pensions this meant, that someone, who had been working for 45 years and had also paid the full contributions to the SVI and

to the FRZ, should gain the same pension as the West German "Eckrentner". (s. Steffen 2002, 37) But this model was challenged by a problem concerning the relation of expenditure and contributions of the pension system: Because of the state guaranteed right to work, nearly everyone in the GDR would gain the full average pension. At the same time it was obvious that many people in the GDR would become unemployed after the right-to-work was dropped and therefore would not pay any contributions to the pension scheme. In addition, the wages in East Germany have been lower than in West Germany (and still are). 20% of wage as contribution to the pension scheme therefore results in less resources for the pension scheme. There were two reactions to this problem: 1) For claims resulting from the time of the GDR, the standard pension is calculated only from twenty years of contribution (instead of 45); and 2) for the territory of the former GDR a separate "actual value of pensions" is fixed,¹³ considering the relation between the net salaries in East and West Germany, and therefore being on a minor level.

Performance

As shown above, the pension systems in the GDR and the FRG belonged to different types of welfare state regime clusters. The two systems were not combined or transformed into something new but the integration of the GDR in the German pension system was an expansion of the latter; spatial - concerning territory and people -, and also, as will be shown, in quantity.

This method of expanding the West German pension system towards the former GDR resulted in very different outcomes. Because of the lower "actual value of pensions" in East Germany the standard pension of an "Eckrentner" is on a lower level than in West Germany (see figure 1).

figure 1

Source: Bundestag 2001b, 51-52.

At the same time, the *real* average old-age pension (not the standard pension of the "Eckrentner") is *higher* in East than in West Germany. This is mainly the result of the continuity in working biographies in the former GDR with its right to work. Particularly female pensioners in East Germany do profit from this, because they have earned their own entitlements through their work, independent from their husbands. (See table 1)

table 1

	Average Pension per month in DM		
	1998	1999	2000
Men in West Germany	1827.61	1849.88	1856.00
Men in East Germany	1864.19	1906.06	1912.40
Men in Germany, total	1834.98	1861.19	1867.42
Women in West Germany	1176.81	1199.16	1214.90
Women in East Germany	1457.10	1497.26	1517.90
Women in Germany, total	1238.16	1264.38	1281.07
Men & Women in West Germany	1438.02	1462.45	1476.50
Men & Women in East Germany	1610.35	1652.35	1669.00
Men & Women in Germany, total	1474.55	1502.67	1517.19

Source: Bundestag 2001b, 38-39.

In 2000 the average level of pensions (men & women) in East Germany is still 113% of the level in the West. The average pension for women in East Germany is even 125% of western level. In 2001 only two thirds of the expenditure in East Germany were covered by the contributions.¹⁴ The lower contributions in East Germany and the higher level of average pensions are financed through a transfer within the pension scheme. In 1996 this transfer reached the amount of 16,000 million DM (see Blüm 1996).¹⁵ In 2001 24,209 million DM were transferred; this is nearly 7% of the total contributions to the pension scheme (see Bundestag 2001b, 56-59).

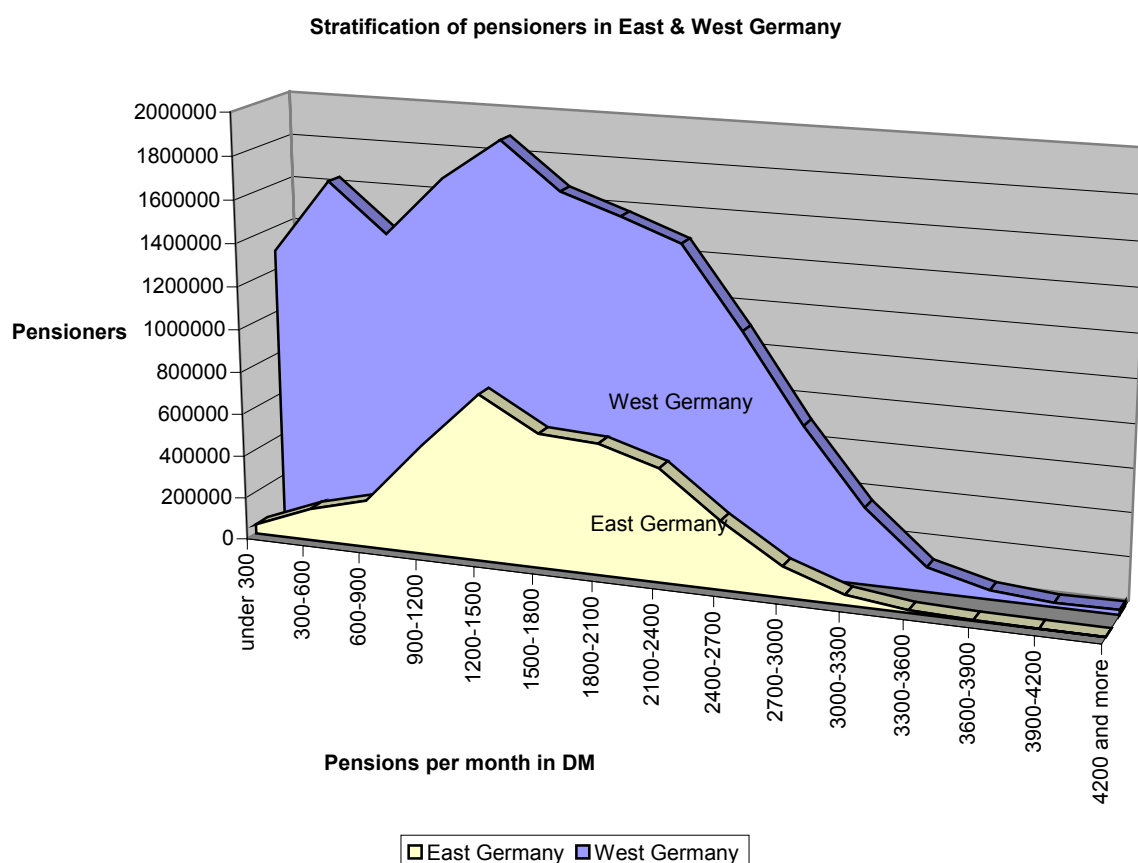
The average pension has also been far beyond the former average pension in the GDR (see above); however it is important to bear in mind that it is nearly impossible to compare the monetary value of the GDR-Mark with the DM, because of the totally different economic system.

Another effect of the former commitment to universalism can be found in the stratification of the pensioners in East Germany. While there is a significant amount of pensions between 300DM and 600DM in the West, in the East this group is very small (see figure 2). It could therefore be argued that the aim to establish a relation between wage and contributions, and the pensions was not fulfilled. But while the pension system of the GDR hardly knew any diversification, the stratification of pensioners in East

Germany is now very similar to West Germany. Only in the segment of very low pensions is there this manifest difference.

It is important to notice, that the different stratification and the higher average pension in East Germany still are caused by the pension system of the GDR. The lower level of the "actual value of pensions" in East Germany results from the *integration* into the German pension scheme. The first two effects will vanish in time when there are no more claims from the time of the former GDR. But the difference in the standard pension perpetuates itself, firstly because the claims for future pensions gained in East Germany are of lower value, secondly because the level of salaries is lower there and therefore less contributions are made, and thirdly because many young people move to West Germany to find jobs which are better paid and where their contributions to the pension scheme are more valuable.¹⁶

figure 2



Source: Bundestag 2001b, 46-48.

The aim of neutrality to costs was only reached in so far as the old West German pension system could carry on without major reforms,¹⁷ but the

expansion of the pension system towards East Germany caused a significant increase in expenditure on old-age cash benefits both, in total and as percentage of GDP, as can be seen in table 2.

table 2

		Old-age-benefits / Germany total										
		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
In	million	184.527	192.182	200.727	210.393	219.778	231.161	269.876	295.572	313.233	331.081	356.427
DM												
As a	% of	8,74	8,64	8,73	8,70	8,60	8,47	9,19	9,37	9,68	9,75	10,12
GDP												

Source: OECD 2003a / OECD 2003b.

It is of importance for the argument to notice that the integration of East Germany in the German Pension system went along with this increase in welfare spending. Even more extensive is the increase in social expenditure as a whole (see figure 3). While public social expenditure was nearly constant during the 1980s it suddenly increases in 1990. In comparison to France we see that this was not a European wide trend but must have had national causes.¹⁸ Kaufmann argues, that "the increase in 1990 above average is caused by the costs of unification. Without these, the FRG would have had an even further declining social expenditure compared with the national income." (Kaufmann 2000, 184)¹⁹ This might be thought too mono-causal, for there has been an increase in social expenditure in almost every OECD country (except Belgium, Ireland, Luxembourg, and the Netherlands), but nowhere has it been as drastic as in Germany. (See OECD 2003b)

Therefore, we can say that the expansion of the pension system towards the former GDR was also a quantitative expansion of the welfare state.

figure 3

Source: OECD 2003a / OECD 2003b.

But this expansion affects different members of the nation in different ways: 1) Pensioners in East Germany are confronted with the fact that their claims are of less value than claims in West Germany. Nevertheless, they get a pension beyond the average West German level. Within the pension scheme there is a transfer from West to East, therefore 2) the pensioners in the West do not get the same pension and 3) the people in the West have

to pay more contributions than they would have to without the transfer. Never the less the pensions in West Germany increased (see figure 1) and the rate of contribution declined from 18.7% to 17.7% and stayed below 19% until 1994. (see Arbeitnehmerkammer 2003) This may seem a paradox but one should bear in mind that the amount of old-age benefits is only related to the contributions actually made. But the most important fact is 4) the people now paying contributions in the East gain less claims than the same amount would result in, in the West; and this is not because of the legacy of the GDR but because of the peculiar logic of the integration.

The German pension scheme and nation-building

How do the above mentioned facts affect the process of nation-building? Of course this question is hard to answer because nation-building is obviously not only reached through a pension scheme.

In theory one would expect that the expanding role of the welfare state goes hand in hand with a strengthening of the identification of the *people* with the *nation*. Therefore identification with sub-national groups or concepts is weakened.

The development of state-wide political and class alliances, the importance of state-wide political debate and the national symbolism of welfare discourses and institutions may have contributed to generating a sense of community and identity to supersede, or at least sit alongside, sub-state national identities. The benefits and services offered by welfare states may also have contributed to reinforcing the subjective dimension of state nationhood, strengthening the rationale for the maintenance of the constitutional status quo among those who benefit from its services. At the same time, the welfare state may have weakened support for enhanced sub-state autonomy by heightening the risk that constitutional change might incur the loss of the economic and social security and services offered by the central state. (McEwen 2002, 6)

In the case of West and East Germany, the expanding role of the welfare state did not function that way. Referring to a representative empirical study of the University of Bielefeld in 1993, there is a strong identification with the sub-national Group, especially in questions of welfare. People in East Germany think they do not profit enough from the welfare state, while people in West Germany often have the opinion that too much welfare state spending goes to East Germany. 78% of the people in East Germany agree upon the statement that "the Germans in the West in spite of their wealth

do not know how to share" (Westle 1993, 116). 67.8% in the West believe that "many people in East Germany want to live like the people in the West but do not want to work as hard as them" (Westle 1993, 100).

So, there are great differences concerning the attitude towards the welfare state in East and West Germany. Only 19.2% of the people in East Germany think that the welfare state should remain the same. 79.4% believe it should be strengthened. In the West a majority of 59.9% is content with the status quo and only 33.6% would prefer an expanded role of the welfare state. (Westle 1993, 116)

One could argue that nevertheless the welfare state and the pension system played a positive role in the nation-building process and that the results would have been worse without their positive effects. But this position must be rejected, as it can be shown that there are no significant differences in the Germans attitude towards topics of the nation which are not related to the welfare state. The attitude towards the nation is stronger if questions of welfare are not explicated (see table 3). E.g. 78.8% of the population in West Germany and 85.4% in East Germany think that unification was a success.

table 3

Attitude of in people in West and East Germany towards the nation (in %)

How strong is the relation between you and...

	<i>your local community</i>		<i>your federal state</i>		<i>the old FRG (West) / the old GDR (East)</i>		<i>Germany as a whole</i>	
	West	East	West	East	West	East	West	East
very strong	22,6	29,1	16,1	20,1	16,2	19,1	15	12,1
strong	48,5	43,9	51,3	46,2	49	49,7	51,6	42,2
not so strong	25,1	23,2	28	29	28,8	24,4	28,7	38,5
weak	3,9	3,9	4,7	4,7	6	6,8	4,7	7,1

Source: Westle 1993, 6-10.

It seems as if the expansion of the German pension system did not lead to a strengthening of the attitude towards the nation as a whole. Instead it led to a stronger identification with the sub-national group for two reasons: 1) The pay-as-you-go character of the pension scheme establishes a rivalry between different social groups (pensioners and contributors, East and

West). 2) The different levels of pension seem inequitable from the view of western contributors, who have to pay for the higher pension in the East, as well as from the East German's perspective, gaining less benefits for the same contribution. It is important to remember, that from the subjective point of view every mentioned group is winning. The matter is about justice and not about personal benefits.

The expansion of the German pension system is contradictory to what we would expect in another way. If political responsibility for welfare is shifted to the nation-state level, this should lead to a relative decline in regional parties. For the "development of systems of state welfare greatly enhanced the presence of the state in the everyday lives of its citizens. The expanded role of the state enhanced its visibility and presence in the eyes of its citizens. Moreover, it reinforced the centrality of state-wide 'national' political parties and leaders operating within state-wide 'national' institutional frameworks, and ensured that control of these institutions became the principal objective of political struggle. (McEwen 2002, 4) But after the unification, we find in the Party of Democratic Socialism (PDS) a strong regional party in the East. In the general elections of 1990, 1994, and 1998, the PDS managed to improve their results from 2.4% (1990), 4.1% (1994) to 5.1% (1998). This is of course not very much but if we refer only to East Germany, the results look much different: 11.1% (1990), 19.8% (1994), and 21.6% (1998).²⁰ (see Eisel/Graf 2001, 1) The pension system is of great relevance to the success of the PDS. During the 1990s the Pension system is seen as the most important political topic right after unemployment. (see Brunner/Graf/Neu 2001, 13). In the view of the PDS, the pension system is one of the most important topics for its political work. (PDS 2003)

Welfare state nationalism

How can the case of the integration of the former GDR in the German pension system and its effect on the nation-building be explained? In the discussion about welfare state nationalism it is mostly agreed that the nation is an "imagined community" (Anderson 1991; Risse 2000, 5). There are two connotations of the notion community; the structure that results from similarities and connections between people (such as culture,

economy, politics, etc.) (*Gesellschaft*), and the positive identification of the individual with this community (*Gemeinschaft*). Both connotations of community together in matters of the political nation can be described as nationalism. In other words, nationalism is found where people feel they belong to the political community of the nation and identify in a positive way. This "national identity" has a subjective and a collective dimension. "Whereas the subjective dimension concerns the individual's sense of belonging to and consent for the nation in question, the collective dimension contributes to defining the characteristics of the nation." (McEwen 2002, 9) Welfare state nationalism therefore would be nationalism reached through or concerned with the welfare state.

The German pension scheme is a structure that creates a real community (*Gesellschaft*) of the people in Germany. Everyone has to pay contributions to the same scheme and has the same rights concerning his pension. Political decisions are made by the same government for everybody, for in Germany the pension scheme is no matter for the federal states. In contrast to this is the fact that within the pension scheme the sub-national groups East and West still exist because of the different levels of the "actual value of pensions". But the German pension scheme has other more obvious differentiations, e.g. between civil servants and miners (Esping-Andersen 1995, 2), and no one would claim that this results in sub-nationalism.

The more important question therefore is, why and under what conditions do people identify positively with the nation. Or in other words, why did the expansion of the German pension scheme *not* result in a strengthening of the *Gemeinschaft*. To identify in a positive way with the nation, the existence of the idea of this nation is a pre-condition on the subjective level. In the collective dimension, this idea – "the collective understandings of what it means to belong to a particular nation" (McEwen 2002, 9) – may change, but *some* idea is still a pre-requisite. If we assume that welfare states belong to different clusters, it is logical to expect that these ideas, that give birth to nationalism, differ between the varying welfare state regime clusters. All types of welfare state have in common that they are aimed to modify the class structure by granting civil rights.

(Esping-Andersen 1990, 219; Marshall 1992, 40) But they do so in different ways. "In Britain, the sequence of achievement of citizenship rights, Marshall describes, does make sense. Civil rights were in some substantial part established prior to political rights and these, in turn, before economic rights. [...] Thus in nineteenth-century Germany, Bismarck conceded various welfare rights to the working-class specifically in order to prevent the realization of the political rights Marshall describes." (Giddens 1992, 205) "Social democratic welfare state regimes" for example have the common interests of the working class (eventually combined with other classes) as a starting point. But in "conservative welfare states" like Germany social rights were granted by the state and did not result from a common interest among the working class but from the relation between *bourgeois* and *citoyen*. The bourgeois is following only his *private* interests, meaning the interests of an owner of private property or a commodity.²¹ This means that he follows his interests in competition with everyone else. "Just because individuals seek *only* their particular interest, which for them does not coincide with their common interest (for the 'general good' is an illusory form of community life), the common interest is imposed as an interest 'alien' to them, and 'independent' of them, as itself in turn a particular 'general' interest; or else the individuals must encounter each other in this discord, as in democracy. (Marx 228) Because they want to follow their own interests, they need the state as an institution, separated from them, granting property rights and thereby allowing everyone to follow their own interests against all other interests. Everyone needs this institution for his particular interests: the worker needs the state to secure his property, the labour force; capitalists are in need of protection of their properties, and so are old-age pensioners relying on the state granted pensions."²²

So, *because of* their private interests the bourgeois must *detach* themselves from them.

Civil society and the state are separated. Consequently the citizen of the state and the member of civil society are also separated. [...] His existence as citizen is an existence lying outside the realm of his communal existences, and is hence purely individual. [...] The separation of civil society and the political state appears necessarily to be a separation of the political citizen, the citizen of the state, from civil society, i.e., from his own actual, empirical reality; for as a state-idealist he is a being who

is completely other, distinct, different from and opposed to his own actuality. (Marx, Critique of Hegel's Philosophy of Right)

So every bourgeois must be a citizen as well. The identification with the nation – at least in a conservative welfare state regime – is not the result of the private bourgeois' interest, but of the state-concerned citizen's interest.

For man as a bourgeois [here, meaning, member of civil society, private life], "life in the state" is "only a semblance or a temporary exception to the essential and the rule". Of course, the bourgeois, like the Jew, remains only sophistically in the sphere of political life, just as the citizen only sophistically remains a Jew or a bourgeois. But, this sophistry is not personal. It is the sophistry of the political state itself. The difference between the merchant and the citizen, between the day-labourer and the citizen, between the landowner and the citizen, between the merchant and the citizen, between the *living individual* and the *citizen*. (Marx, On the Jewish Question)

The question therefore is not "Do I profit?" but "Does the nation profit?". The gauge for this question is the "national interest" and not personal benefit. As Giddens has pointed out "dominant classes have much less difficulty representing their own policies as in 'the national interest' than do oppositional groups, since they have much more influence over the style and form of what can be discursively articulated" (Giddens 1992, 221). This tells us something about how the "national interest" comes about. The citizen then starts judging according to this "national interest". As regards welfare state nationalism and our particular case, in a conservative welfare state, not based on the idea of shared interests among a special class coalition but on the separation of bourgeois and citizen, the citizen compares the welfare politics to what he considers to be of national interest. If both do match, he identifies positively with the welfare politics and therefore, at the same time, a bit more with the state and the nation. The "national interest" concerning the pension system in Germany can be described in terms of the following factors:

- Social security for elder members of the working class, reached through stratification within this class.
- The principle of causation, therefore equality in rights not in outcomes.²³

- A compulsory insurance system organizing solidarity amongst generations by force.

Now we can explain why the expansion of the German pension system did not lead to a strengthening of the national identity. 1) The former citizens of the GDR may have had another understanding of the "national interest" concerning the pension system, based on the GDR tradition of universalism and "social democratic welfare state". This is obviously part of the story but only explains the effect towards Eastern Germany. The more important reason is that the expansion of the German pension system is not consistent with the "national interest" as defined above. The different pension levels in East and West falls short behind the principle of causation and the transfer from West to East organizes solidarity amongst regions and not amongst generations. To strengthen national identity, the expansion of the pension scheme would have had to maintain the principle of causality and equality in rights and therefore either reduced pensions in the whole of Germany or raise the level of contributions. This would have had the effect that the group constellation had stayed stable: the generation at work pays for the elder, but there are no differentiations within the generations.

Several questions arise from this position. Among them are the following: Firstly, under which conditions are welfare state regimes *not* a positive momentum in the process of nation building? Secondly, how do different welfare state regimes react under such conditions and how does welfare state nationalism function in other "worlds of welfare capitalism"? Thirdly, if the welfare state may weaken the national identity, might the rollback of the welfare state strengthen the national unity?

Endnotes

¹ Frerich defines the principle of secondary liability based on the catholic tradition: „Zunächst solle sich der einzelne selbst helfen; und erst dann – wenn er dazu nicht mehr in der Lage sei – müsse ihm die Hilfe des Familienverbandes zuteil werden; erst danach dürften ersatzweise die Gemeinden, für diese wiederum danach ersatzweise das Land und schließlich der Gesamtstaat herangezogen werden. Diese

Rangordnung der Sozialkörper wurde nicht nur sachlich, sondern zugleich auch zeitlich interpretiert.“ (Frerich 1996, 31)

² There is a special distinctiveness in Germany concerning the social insurance contributions. Formally, half of the contributions are made by the employer and the other half by the employee, so it seems as if the employer not only pays the wage – of which the contributions of the employee are taken by the state – but also so called non-wage labour costs in the form of his half of the social insurance contributions. Economically speaking, these non-wage labour costs are nothing but a part of the total wage costs with which the employer has to calculate. It would make no difference, if the employer paid only the wage and the employee paid the whole contribution, as long as the total amount would be the same. (s. Decker/Hecker 2002, 119)

³ „Die Rente an den Mann wurde als Lohnersatz betrachtet, während sich die Witwenrente aus dem Unterhaltsanspruch der nicht erwerbstätigen Frau gegenüber ihrem Mann ergab.“ (Frerich 1996, 166)

⁴ The idea of a contract is an ideological notion in so far there has not been any negotiation or agreement between generations. For the concept of nation building the „Generationsvertrag“ is important in the way that it expands the idea of the nation as a community beyond the borders of time in the past and the future.

⁵ „Bestimmte Gruppen von Beschäftigten in besonderen Dienstverhältnissen, wie z.B. Angehörige der Volksarmee und der Volkspolizei, waren in eigenständigen Sonderversorgungssystemen versichert. Für Angehörige der sogenannten wissenschaftlichen, technischen, pädagogischen und medizinischen Intelligenz, für Mitarbeiter des Staatsapparats, der Parteien und der gesellschaftlichen Organisationen (z.B. Volkssolidarität) gab es zur Sozialpflichtversicherung rund 60 Zusatzversorgungssysteme, die meistens eine Gesamtversorgung unter Anrechnung der Rente aus der Pflichtversicherung gewährten.“ (LVA 2000:2)

⁶ Esping-Andersen's differentiation of regime clusters is helpful as a theoretical framework, although his assumptions about class-mobilisation and his labels may be misleading. For critique see Ferrera 1996, Rhodes 1996, Ebbinghaus 1998 but also Esping-Andersen 1998.

⁷ „Die Rentenversicherung in der Sozialpflichtversicherung der DDR kannte bis Juni 1990 keine Lohn- und Beitragsbezogenheit der Rente; die Leistungen im Alter setzten sich zusammen aus einem Festbetrag und aus Steigerungsbeträgen.“ (Steffen 2002, 37)

⁸ „Da die Mindestrente nach 45 und mehr Arbeitsjahren 470 DDR-Mark im Monat betrug und die Mindestrente bei bis zu 15 Arbeitsjahren schon bei 330 DDR-Mark lag, gab es fast keine Streuung der Sozialrenten und damit auch kaum leistungs- und beitragsabhängige Elemente“ (CDU 2002).

⁹ „Die Deutsche Demokratische Republik leitet alle erforderlichen Maßnahmen ein, um ihr Rentenrecht an das auf dem Grundsatz der Lohn- und Beitragsbezogenheit beruhende Rentenversicherungsrecht der Bundesrepublik Deutschland anzugleichen.“ (Art. 20, 1. Staatsvertrag)

¹⁰ „Mit dem Staatsvertrag vom 18. Mai 1990 verpflichtete sich die DDR zu einer Angleichung ihrer Alterssicherungssysteme nach dem Vorbild der Bundesrepublik; als Kernelement der Angleichung legte der Staatsvertrag die Lohn- und Beitragsbezogenheit der Renten fest“ (Steffen 2002, 38).

¹¹ „Kein anderes Alterssicherungssystem hätte diese sozialpolitische Herausforderung so meistern können, wie es die Rentenversicherung mit ihrem

Umlageverfahren gekonnt hat. Wäre sie kapitalgedeckt gewesen, hätte die Sozialunion keine Chance gehabt." (Ruland 2001, 3)

¹² See Steffen 2002, 36-60 for details.

¹³ „Bis zur Herstellung einheitlicher Einkommensverhältnisse im Gebiet der Bundesrepublik Deutschland werden persönliche Entgeltpunkte (Ost) und ein aktueller Rentenwert (Ost) für die Ermittlung des Monatsbetrags der Rente aus Zeiten außerhalb der Bundesrepublik Deutschland ohne das Beitrittsgebiet gebildet, die an die Stelle der persönlichen Entgeltpunkte und des aktuellen Rentenwerts treten." (SGB 6, § 254b, 1. Rentenformel für den Monatsbetrag der Rente)

¹⁴ The contributions in 2001 were 46,298 million DM while the expenditure for old-age benefits was 76,911 million DM. (Bundestag 2001b, 57)

¹⁵ „Unter dem Dach der Rentenversicherung werden von den alten Bundesländern 16Mrd. DM in die neuen Bundesländer transferiert." (Blüm 1996)

¹⁶ „Dass sich immer die Jungen, Ungebundenen, Mobilen und gut Ausgebildeten auf den Weg zu den Arbeitsplätzen begeben, führt schlussendlich dazu, dass sich die Transferleistungen im Konsumbereich für Arbeitslosigkeit und Rente strukturell viel stärker auf die neuen Bundesländer konzentrieren und damit das relative Verhältnis der Transfers den Subventionsanteil der östlichen Bundesländer hoch halten wird" (Metzger 2001).

¹⁷ Some do argue that the actual reforms of the German pension scheme are caused by the integration of the GDR (see Kaufmann 2000, 184-188), but the problem today is not to finance the pensions of the former GDR but to handle the high rate of unemployment in East and West Germany. So of course there is a connection between the actual reforms and the integration of the GDR but the latter is not the cause of the former.

¹⁸ One could of course take other examples than France but there is no OECD country that shows a similar drastic shift. (See OECD 2003b) As immediate neighbour and as another important European country, the comparison to France appears to be self-evident.

¹⁹ „Der überdurchschnittliche Anstieg ab 1990 ist durch die Vereinigungskosten bedingt. Ohne diese hätte die Bundesrepublik sogar weiterhin einen rückläufigen Anteil der Sozialausgaben am Volkseinkommen." (Kaufmann 2000, 184)

²⁰ „Die Tatsache, dass die PDS in Ostdeutschland deutlich besser, Union und SPD aber schlechter als in Westdeutschland bewertet werden, verdeutlicht noch einmal, wie gespalten die Bevölkerungsmeinung hinsichtlich des Parteiensystems ist." (Brunner/Graf/Neu 2001, 13)

²¹ That all interests are those of owners of commodities is of course only true under the conditions of a capitalistic society, meaning for example that "for the conversion of his money into capital [...] the owner of money must meet in the market with the free labourer, free in the double sense, that as a free man he can dispose of his labour-power as his own commodity, and that on the other hand he has no other commodity for sale, is short of everything necessary for the realisation of his labour-power." (Marx, Capital I, 169)

²² This separation does not mean that "civil society now becomes something distinct from the state in its origin and nature, to which the state owes its own existence and form." (Giddens 1992, 21) The separation is a logical one and does not deny that "civil society, as bürgerliche Gesellschaft, is in substantial part

created by the (modern) state or, put more accurately, that the two come into existence in conjunction with one another." (Giddens 1992, 21)

²³ "Das Rentensystem ist in geradezu idealer Weise kognitiv und moralisch anspruchslos: es macht es jedem Teilnehmer leicht, die subjektive Gewissheit zu hegen, dass er bekommt, was ihm zusteht – ebenso wie es die Gewissheit nährt, dass niemand etwas bekommt, das ihm nicht zusteht" (Offe 1990, 185).

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